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By: **Senators Teitelbaum, Exum, Lawlah, and Middleton**  
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Committee Report: Favorable with amendments  
Senate action: Adopted  
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CHAPTER \_\_\_\_\_

1 AN ACT concerning

2 **Health Insurance - Small Group Market - Limited Health Benefit Plan**

3 FOR the purpose of requiring the Maryland Health Care Commission to adopt  
4 regulations that specify the Limited Health Benefit Plan to be offered in the  
5 small group health insurance market; establishing that a purpose of the  
6 Commission is to develop a certain set of benefits to be included in the Limited  
7 Health Benefit Plan; ~~establishing an exception for the Limited Plan to the~~  
8 ~~prohibition on a person offering a health benefit plan without offering at least~~  
9 ~~the Comprehensive Standard Health Benefit Plan~~; establishing an exception for  
10 the Limited Health Benefit Plan to the prohibition on a carrier offering a health  
11 benefit plan that has fewer benefits than those in the ~~Standard Plan~~  
12 Comprehensive Standard Health Benefit Plan; providing that a carrier may  
13 offer the Limited Health Benefit Plan only to certain small employers; ~~requiring~~  
14 ~~certain benefits to be included in the Limited Plan~~; requiring the Limited  
15 Health Benefit Plan to include certain deductibles and cost-sharing; requiring  
16 the Commission to take certain action in establishing cost-sharing as part of the  
17 Limited Health Benefit Plan; ~~requiring carriers that offer insurance in the small~~  
18 ~~group market to offer the Standard Plan to certain small employers~~; requiring  
19 ~~certain carriers that offer insurance in the small group market to offer the~~  
20 ~~Limited Health Benefit Plan to certain small employers~~; authorizing certain  
21 ~~carriers that offer insurance in the small group market to offer the Limited~~  
22 ~~Health Benefit Plan to certain small employers~~; requiring a carrier to offer  
23 ~~coverage for all eligible employees and dependents of a small employer that~~  
24 ~~qualifies for and chooses the Limited Health Benefit Plan and prohibiting the~~  
25 ~~carrier from offering the Standard Plan for any members of the small employer's~~  
26 ~~group~~; prohibiting a carrier from offering a benefit in addition to the Limited  
27 Health Benefit Plan except for an additional benefit to lower the cost-sharing  
28 arrangements in the Limited Health Benefit Plan; providing that each

1 additional benefit is subject to certain provisions of law; authorizing the  
2 Maryland Insurance Commissioner to prohibit a carrier from offering an  
3 additional benefit under certain circumstances; repealing certain obsolete  
4 provisions of law relating to the MCHP private option plan; making certain  
5 clarifying and conforming changes; defining a ~~certain term~~ certain terms;  
6 requiring the Commission and the Maryland Insurance Administration to adopt  
7 certain regulations on or before a certain date; requiring the Commission and  
8 the Maryland Insurance Commissioner to take certain actions to ensure that the  
9 Limited Health Benefit Plan is available to be offered in the small group market  
10 on a certain date; requiring the Commission to submit a certain report to the  
11 Governor and certain committees of the General Assembly on or before a certain  
12 date; providing for the termination of this Act; and generally relating to the  
13 Limited Health Benefit Plan under small group market health insurance.

14 BY renumbering

15 Article - Insurance  
16 Section 15-1201(i) through (p), respectively  
17 to be Section 15-1201 (j) through (q), respectively  
18 Annotated Code of Maryland  
19 (2002 Replacement Volume and 2003 Supplement)

20 BY repealing and reenacting, without amendments,

21 Article - Health - General  
22 Section 19-103(a)  
23 Annotated Code of Maryland  
24 (2000 Replacement Volume and 2003 Supplement)

25 BY repealing and reenacting, with amendments,

26 Article - Health - General  
27 Section 19-103(c)(6) and 19-108(a)  
28 Annotated Code of Maryland  
29 (2000 Replacement Volume and 2003 Supplement)

30 BY repealing and reenacting, without amendments,

31 Article - Insurance  
32 Section 15-1201(a)  
33 Annotated Code of Maryland  
34 (2002 Replacement Volume and 2003 Supplement)

35 BY adding to

36 Article - Insurance  
37 Section 15-1201(i) and 15-1204(g)  
38 Annotated Code of Maryland  
39 (2002 Replacement Volume and 2003 Supplement)

1 BY repealing and reenacting, with amendments,  
 2 Article - Insurance  
 3 Section ~~15-1204(b) and (c) and 15-1207~~ 15-1204(c), 15-1207, 15-1209, and  
 4 15-1213  
 5 Annotated Code of Maryland  
 6 (2002 Replacement Volume and 2003 Supplement)

7 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF  
 8 MARYLAND, That Section(s) 15-1201(i) through (p), respectively, of Article -  
 9 Insurance of the Annotated Code of Maryland be renumbered to be Section(s)  
 10 15-1201(j) through (q), respectively.

11 SECTION 2. AND BE IT FURTHER ENACTED, That the Laws of Maryland  
 12 read as follows:

13 **Article - Health - General**

14 19-103.

15 (a) There is a Maryland Health Care Commission.

16 (c) The purpose of the Commission is to:

17 (6) In accordance with Title 15, Subtitle 12 of the Insurance Article,  
 18 develop:

19 (i) A uniform set of effective benefits to be included in the  
 20 Comprehensive Standard Health Benefit Plan; [and]

21 (II) A UNIFORM SET OF EFFECTIVE BENEFITS TO BE INCLUDED IN  
 22 THE LIMITED HEALTH BENEFIT PLAN; AND

23 [(ii)] (III) A modified health benefit plan for medical savings  
 24 accounts;

25 19-108.

26 (a) In addition to the duties set forth elsewhere in this subtitle, the  
 27 Commission shall adopt regulations:

28 (1) [specifying] SPECIFYING the comprehensive standard health benefit  
 29 plan to apply under Title 15, Subtitle 12 of the Insurance Article; AND

30 (2) SPECIFYING THE LIMITED HEALTH BENEFIT PLAN TO APPLY UNDER  
 31 TITLE 15, SUBTITLE 12 OF THE INSURANCE ARTICLE.

1 **Article - Insurance**

2 15-1201.

3 (a) In this subtitle the following words have the meanings indicated.

4 (I) "LIMITED BENEFIT PLAN" MEANS THE LIMITED HEALTH BENEFIT PLAN  
5 ADOPTED BY THE COMMISSION IN ACCORDANCE WITH § 15-1207 OF THIS SUBTITLE  
6 AND TITLE 19, SUBTITLE 1 OF THE HEALTH - GENERAL ARTICLE.

7 15-1204.

8 ~~(b) [A] EXCEPT FOR THE LIMITED PLAN, A person may not offer a health~~  
9 ~~benefit plan in the State unless the person offers at least the Standard Plan.~~10 (c) [A] EXCEPT FOR THE LIMITED BENEFIT PLAN, A carrier may not offer a  
11 health benefit plan that has fewer benefits than those in the Standard Plan.12 ~~(G) A CARRIER MAY OFFER THE LIMITED PLAN ONLY TO A SMALL EMPLOYER~~  
13 ~~THAT:~~14 ~~(1) HAS NOT PROVIDED A HEALTH BENEFIT PLAN DURING THE~~  
15 ~~24 MONTH PERIOD PRECEDING THE DATE OF APPLICATION OR, IF THE SMALL~~  
16 ~~EMPLOYER HAS EXISTED FOR LESS THAN 12 MONTHS, FROM THE DATE THE SMALL~~  
17 ~~EMPLOYER COMMENCED ITS BUSINESS; AND~~18 ~~(2) PAYS ITS EMPLOYEES AN AVERAGE WAGE UNDER 200% OF THE~~  
19 ~~FEDERAL POVERTY LEVEL.~~

20 15-1207.

21 (a) In accordance with Title 19, Subtitle 1 of the Health - General Article, the  
22 Commission shall adopt regulations that specify:23 (1) the Comprehensive Standard Health Benefit Plan to apply under this  
24 subtitle; [and]25 (2) THE LIMITED HEALTH BENEFIT PLAN TO APPLY UNDER THIS  
26 SUBTITLE; AND27 [(2)] (3) a modified health benefit plan for medical savings accounts that  
28 qualify under the federal Health Insurance Portability and Accountability Act of 1996,  
29 including:

30 (i) a waiver of deductibles as permitted under federal law;

31 (ii) minimum funding standards for medical savings accounts; and

32 (iii) authorization for offering the modified plan only by those  
33 persons who offer the Comprehensive Standard Health Benefit Plan adopted in  
34 accordance with item (1) of this subsection.

1 (b) The Commission shall require that the minimum benefits allowed to be  
2 offered in the Standard Plan:

3 (1) by a health maintenance organization, shall include at least the  
4 actuarial equivalent of the minimum benefits required to be offered by a federally  
5 qualified health maintenance organization; and

6 (2) by an insurer or nonprofit health service plan on an  
7 expense-incurred basis, shall be actuarially equivalent to at least the minimum  
8 benefits required to be offered under item (1) of this subsection.

9 ~~(C) THE COMMISSION SHALL REQUIRE THAT THE BENEFITS ALLOWED TO BE~~  
10 ~~OFFERED IN THE LIMITED PLAN SHALL INCLUDE:~~

11 ~~(1) INPATIENT HOSPITALIZATION COVERAGE FOR:~~

12 ~~(I) THE FIRST 10 DAYS OF INPATIENT HOSPITAL AND~~  
13 ~~PROFESSIONAL SERVICES COVERAGE PER YEAR, WHETHER FOR MENTAL OR~~  
14 ~~PHYSICAL ILLNESS; OR~~

15 ~~(II) THE FIRST 10 DAYS OF INPATIENT HOSPITAL AND~~  
16 ~~PROFESSIONAL SERVICES COVERAGE PER YEAR FOR PHYSICAL ILLNESS ONLY;~~

17 ~~(2) TEN OFFICE VISITS WITH A LICENSED HEALTH CARE PROVIDER FOR~~  
18 ~~EACH INSURED PER YEAR FOR PREVENTIVE CARE AND THE DIAGNOSIS AND~~  
19 ~~TREATMENT OF ANY ILLNESS OR INJURY, INCLUDING REASONABLE COVERAGE OF~~  
20 ~~MEDICALLY NECESSARY LABORATORY AND DIAGNOSTIC PROCEDURES;~~

21 ~~(3) OUTPATIENT SURGICAL PROCEDURES PROVIDED IN A HOSPITAL OR~~  
22 ~~FREESTANDING AMBULATORY SURGICAL FACILITY;~~

23 ~~(4) REASONABLE COVERAGE OF PRENATAL CARE, INCLUDING:~~

24 ~~(I) FOR PRENATAL OFFICE VISITS, A MINIMUM OF:~~

25 1. ONE VISIT PER MONTH DURING THE FIRST TWO  
26 TRIMESTERS OF PREGNANCY;

27 2. TWO VISITS PER MONTH DURING THE 7TH AND 8TH  
28 MONTHS OF PREGNANCY; AND

29 3. ONE VISIT PER WEEK DURING THE 9TH MONTH AND  
30 UNTIL TERM; AND

31 ~~(II) ALL NECESSARY AND APPROPRIATE SCREENINGS, PHYSICAL~~  
32 ~~EXAMINATIONS, LABORATORY AND DIAGNOSTIC PROCEDURES, AND PRENATAL~~  
33 ~~COUNSELING THAT A LICENSED HEALTH CARE PROVIDER DETERMINES ARE~~  
34 ~~NECESSARY;~~

1           ~~(5)~~     ~~REASONABLE COVERAGE OF OBSTETRICAL CARE, INCLUDING~~  
 2 ~~SERVICES BY A LICENSED HEALTH CARE PROVIDER, DELIVERY ROOM, POSTPARTUM~~  
 3 ~~CARE, AND OTHER MEDICALLY NECESSARY HOSPITAL SERVICES; AND~~

4           ~~(6)~~     ~~REASONABLE COVERAGE OF MEDICALLY NECESSARY EMERGENCY~~  
 5 ~~SERVICES.~~

6    ~~{c}~~    ~~(D)~~    (1)     Subject to paragraph (2) of this subsection, the Commission  
 7 shall exclude or limit benefits or adjust cost-sharing arrangements in the Standard  
 8 Plan if the average rate for the Standard Plan exceeds 10% of the average annual  
 9 wage in the State.

10           (2)     The Commission annually shall determine the average rate for the  
 11 Standard Plan by using the average rate submitted by each carrier that offers the  
 12 Standard Plan.

13    ~~{d}~~    ~~(E)~~     In establishing benefits UNDER THE STANDARD PLAN AND THE  
 14 LIMITED BENEFIT PLAN, the Commission shall judge preventive services, medical  
 15 treatments, procedures, and related health services based on:

16           (1)     their effectiveness in improving the health status of individuals;

17           (2)     their impact on maintaining and improving health and on reducing  
 18 the unnecessary consumption of health care services; and

19           (3)     their impact on the affordability of health care coverage.

20    ~~{e}~~    ~~(F)~~     The Commission may exclude FROM THE STANDARD PLAN OR THE  
 21 LIMITED BENEFIT PLAN:

22           (1)     a health care service, benefit, coverage, or reimbursement for covered  
 23 health care services that is required under this article or the Health - General Article  
 24 to be provided or offered in a health benefit plan that is issued or delivered in the  
 25 State by a carrier; or

26           (2)     reimbursement required by statute, by a health benefit plan for a  
 27 service when that service is performed by a health care provider who is licensed under  
 28 the Health Occupations Article and whose scope of practice includes that service.

29    ~~{f}~~    ~~(G)~~     The Standard Plan AND THE LIMITED BENEFIT PLAN EACH shall  
 30 include uniform deductibles and cost-sharing associated with its benefits, as  
 31 determined by the Commission.

32    ~~{g}~~    ~~(H)~~     In establishing cost-sharing as part of the Standard Plan AND THE  
 33 LIMITED BENEFIT PLAN, the Commission shall:

34           (1)     include cost-sharing and other incentives to help prevent consumers  
 35 from seeking unnecessary services;

1 (2) balance the effect of cost-sharing in reducing premiums and in  
2 affecting utilization of appropriate services; and

3 (3) limit the total cost-sharing that may be incurred by an individual in  
4 a year.

5 15-1209.

6 (a) This section does not apply to any insurance enumerated in §  
7 15-1201(f)(3)(i) through (xiii) of this subtitle.

8 (b) A carrier shall issue its health benefit plans to each small employer that  
9 meets the requirements of this section.

10 (C) (1) A CARRIER THAT OFFERS INSURANCE IN THE SMALL GROUP MARKET  
11 SHALL OFFER THE STANDARD PLAN TO EACH SMALL EMPLOYER THAT MEETS THE  
12 REQUIREMENTS OF THIS SECTION.

13 (2) (I) IN THIS PARAGRAPH, "PROMINENT CARRIER" MEANS A CARRIER  
14 THAT INSURES AT LEAST 25% OF THE TOTAL LIVES INSURED IN THE SMALL GROUP  
15 MARKET.

16 (II) A PROMINENT CARRIER THAT OFFERS INSURANCE IN THE  
17 SMALL GROUP MARKET SHALL OFFER, AND ANY OTHER CARRIER THAT OFFERS  
18 INSURANCE IN THE SMALL GROUP MARKET MAY OFFER, THE LIMITED BENEFIT  
19 PLAN, BUT ONLY TO A SMALL EMPLOYER:

20 1. THAT HAS NOT PROVIDED THE STANDARD PLAN DURING  
21 THE 12-MONTH PERIOD PRECEDING THE DATE OF APPLICATION OR, IF THE SMALL  
22 EMPLOYER HAS EXISTED FOR LESS THAN 12 MONTHS, FROM THE DATE THE SMALL  
23 EMPLOYER COMMENCED ITS BUSINESS; AND

24 2. FOR WHICH THE AVERAGE ANNUAL WAGE OF THE SMALL  
25 EMPLOYER'S GROUP DOES NOT EXCEED 75% OF THE AVERAGE ANNUAL WAGE IN THE  
26 STATE.

27 (D) FOR SMALL EMPLOYERS THAT QUALIFY FOR AND CHOOSE THE LIMITED  
28 BENEFIT PLAN, A CARRIER:

29 (1) MUST OFFER COVERAGE FOR ALL ELIGIBLE EMPLOYEES AND  
30 DEPENDENTS UNDER THE LIMITED BENEFIT PLAN; AND

31 (2) MAY NOT OFFER THE STANDARD PLAN FOR ANY MEMBERS OF THE  
32 SMALL EMPLOYER'S GROUP.

33 [(c)] (E) (1) Nothing in this subsection requires a small employer to  
34 contribute to the premium payments for coverage of a dependent of an eligible  
35 employee.

- 1                   (2)     To be covered under a health benefit plan offered by a carrier, a small  
2 employer shall:
- 3                   (i)     elect to be covered;
- 4                   (ii)    agree to pay the premiums;
- 5                   (iii)   agree to offer coverage to any dependent of an eligible employee  
6 when coverage is sought by the eligible employee, in accordance with provisions  
7 governing late enrollees and any other provisions of this subtitle that apply to  
8 coverage;
- 9                   (iv)    agree to collect payments for premiums through payroll  
10 deductions for coverage of eligible employees and dependents and transmit those  
11 payments to the carrier; and
- 12                  (v)     satisfy other reasonable provisions of the health benefit plan as  
13 approved by the Commissioner.
- 14    [(d)]   (F)    (1)    In determining whether a small employer satisfies the  
15 requirements of this section, a carrier shall apply its requirements uniformly among  
16 all small employers with the same number of eligible employees who apply for or  
17 receive coverage from the carrier, including a requirement that a minimum  
18 percentage of eligible employees of the small employer participate in the health  
19 benefit plan.
- 20                  (2)     A carrier may vary application of minimum participation of eligible  
21 employees only by the size of the group of the small employer.
- 22    [(e)]   (G)     A carrier may not require a small employer to contribute to payment  
23 of premiums for a health benefit plan.
- 24 15-1213.
- 25    (a)     This section does not apply to any insurance enumerated in §  
26 15-1201(f)(3)(i) through (xiii) of this subtitle.
- 27    (b)     Each benefit offered in addition to the Standard Plan that increases access  
28 to care choices or lowers the cost-sharing arrangement in the Standard Plan is  
29 subject to all of the provisions of this subtitle applicable to the Standard Plan,  
30 including:
- 31                  (1)     guaranteed issuance;
- 32                  (2)     guaranteed renewal;
- 33                  (3)     adjusted community rating; and
- 34                  (4)     the prohibition on preexisting condition limitations.

1 (c) (1) Each benefit offered in addition to the Standard Plan that increases  
 2 the type of services available or the frequency of services is not subject to guaranteed  
 3 issuance but is subject to all other provisions of this subtitle applicable to the  
 4 Standard Plan, including:

- 5 (i) guaranteed renewal;
- 6 (ii) adjusted community rating; and
- 7 (iii) the prohibition on preexisting condition limitations.

8 (2) For each additional benefit offered under this subsection, a carrier  
 9 shall accept or reject the application of the entire group.

10 (3) The Commissioner may prohibit a carrier from offering an additional  
 11 benefit under this subsection if the Commissioner finds that the additional benefit  
 12 will be sold in conjunction with the Standard Plan in a manner designed to promote  
 13 risk selection or underwriting practices otherwise prohibited by this subtitle.

14 [(d) (1) A benefit offered in addition to the Standard Plan to lower the  
 15 cost-sharing arrangement in the Standard Plan in accordance with § 15-301.1 of the  
 16 Health - General Article is subject to:

- 17 (i) guaranteed issuance;
- 18 (ii) guaranteed renewal;
- 19 (iii) adjusted community rating; and
- 20 (iv) the prohibition on preexisting condition limitations.

21 (2) A carrier that offers a benefit under this subsection shall be required  
 22 to guarantee issuance and guarantee renewal of the additional benefit only to  
 23 employers who are participating in the MCHP private option plan established under  
 24 § 15-301.1 of the Health - General Article.]

25 (D) (1) A CARRIER MAY NOT OFFER A BENEFIT IN ADDITION TO THE  
 26 LIMITED BENEFIT PLAN, EXCEPT FOR AN ADDITIONAL BENEFIT TO LOWER THE  
 27 COST-SHARING ARRANGEMENTS IN THE LIMITED BENEFIT PLAN.

28 (2) EACH BENEFIT OFFERED IN ADDITION TO THE LIMITED BENEFIT  
 29 PLAN IS SUBJECT TO ALL OF THE PROVISIONS OF THIS SUBTITLE APPLICABLE TO  
 30 THE LIMITED BENEFIT PLAN, INCLUDING:

- 31 (I) GUARANTEED ISSUANCE;
- 32 (II) GUARANTEED RENEWAL;
- 33 (III) ADJUSTED COMMUNITY RATING; AND
- 34 (IV) THE PROHIBITION ON PREEXISTING CONDITION LIMITATIONS.

1           (3)     THE COMMISSIONER MAY PROHIBIT A CARRIER FROM OFFERING AN  
 2 ADDITIONAL BENEFIT UNDER THIS SUBSECTION IF THE COMMISSIONER FINDS THAT  
 3 THE ADDITIONAL BENEFIT WILL BE SOLD IN CONJUNCTION WITH THE LIMITED  
 4 BENEFIT PLAN IN A MANNER DESIGNED TO PROMOTE RISK SELECTION OR  
 5 UNDERWRITING PRACTICES OTHERWISE PROHIBITED BY THIS SUBTITLE.

6     SECTION 3. AND BE IT FURTHER ENACTED, That:

7     (a)     on or before July 1, 2005, the Maryland Health Care Commission shall  
 8 adopt regulations that specify the Limited Health Benefit Plan, as required under §  
 9 15-1207(a)(2) of the Insurance Article, as enacted by Section 2 of this Act; ~~and~~

10    (b)     in specifying the Limited Health Benefit Plan, the Maryland Health Care  
 11 Commission shall:

12           (1)     ensure that the actuarial value of the Limited Health Benefit Plan  
 13 does not exceed 70% of the actuarial value of the Comprehensive Standard Health  
 14 Benefit Plan as of January 1, 2004; and

15           (2)     consider including in the Limited Health Benefit Plan the benefits  
 16 required to be included in a limited benefits policy authorized by Chapter 434 of the  
 17 Acts of 1991;

18    ~~(b)~~   (c)     the Maryland Health Care Commission and the Maryland Insurance  
 19 Commissioner shall take all other actions necessary to ensure that the Limited  
 20 Health Benefit Plan is available to be offered in the small group health insurance  
 21 market on July 1, 2005; and

22    (d)     on or before July 1, 2005, the Maryland Insurance Administration shall  
 23 adopt regulations that:

24           (1)     specify a disclosure statement notifying a small employer that the  
 25 limited health benefit plan provides only basic benefits, and that more comprehensive  
 26 coverage is available under the Comprehensive Standard Health Benefit Plan; and

27           (2)     require a carrier that offers the Limited Health Benefit Plan to  
 28 obtain a signed disclosure statement from the small employer at the time of the initial  
 29 purchase of coverage and at renewal.

30     SECTION 4. AND BE IT FURTHER ENACTED, That, on or before January 1,  
 31 2008, the Maryland Health Care Commission shall submit to the Governor and, in  
 32 accordance with § 2-1246 of the State Government Article, to the Senate Finance  
 33 Committee and the House Health and Government Operations Committee, a report  
 34 that includes:

35     (a)     for the periods July 1, 2005 through ~~June 30, 2006~~ December 31, 2005, and  
 36 ~~from July~~ January 1, 2006 through July 1, 2007 December 31, 2006, and January 1,  
 37 2007 through June 30, 2007, data on:

- 1 (1) the number of carriers offering Limited Health Benefit Plan policies  
2 in the State;
- 3 (2) the number of Limited Health Benefit Plan policies ~~in effect~~ sold in  
4 the State;
- 5 (3) the number of eligible employees covered under the policies;
- 6 (4) the average age, geographic area ~~of residence~~, and ~~income level of~~  
7 ~~eligible employees~~ average wage of each employer group covered under the policies;  
8 and
- 9 (5) the impact of the Limited Health Benefit Plan on the small group  
10 health insurance market and the population of uninsured individuals in the State;  
11 and
- 12 (b) recommendations on continuing or expanding the availability of the  
13 Limited Health Benefit Plan in the small group health insurance market.

14 SECTION 5. AND BE IT FURTHER ENACTED, That this Act shall take effect  
15 July 1, 2004. It shall remain effective for a period of 4 years and, at the end of June  
16 30, 2008, with no further action required by the General Assembly, this Act shall be  
17 abrogated and of no further force and effect.